

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)	
)	
Universal Service Contribution)	WC Docket No. 06-122
Methodology)	
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51

**REPLY COMMENTS OF THE NEBRASKA RURAL INDEPENDENT
COMPANIES**

The Nebraska Rural Independent Companies ("NRIC"),¹ which provide telecommunications and broadband Internet access services to some of the most-rural, sparsely populated parts of America, appreciate the opportunity to submit these Reply Comments in response to the Further Notice of Proposed Rulemaking issued by the Federal Communications Commission (the "Commission").²

I. NRIC Supports Commenters Advocating Inclusion of Broadband Internet Access in the Contributions Base for Federal Universal Service Programs.

NRIC agrees with the commenters who urge the Commission to include broadband Internet access services in the contributions base for federal universal service

¹ The Companies, each of which is a Local Exchange Carrier ("LEC"), submitting these Reply Comments are: Arlington Telephone Company, The Blair Telephone Company, Cambridge Telephone Company, Clarks Telecommunications Co., Consolidated Telephone Company, Consolidated Telco, Inc., Consolidated Telecom, Inc., The Curtis Telephone Company, Eastern Nebraska Telephone Company, Great Plains Communications, Inc., Hamilton Telephone Company, Hartington Telecommunications Co., Inc., Hershey Cooperative Telephone Co., K. & M. Telephone Company, Inc., The Nebraska Central Telephone Company, Northeast Nebraska Telephone Company, Rock County Telephone Company, Stanton Telecom Inc., and Three River Telco.

² See, Further Notice of Proposed Rulemaking, WC Docket Nos. 06-122, GN Docket No. 09-51, released April 30, 2012 (the "*FNPRM*").

programs.³ The Commission should broaden the contributions assessment base to include broadband Internet access services, measured either by revenues or by connections. NRIC takes no position as to whether adding broadband *revenues* to the existing revenue base, imposing surcharges on broadband *connections*, or using a hybrid of the two methods is preferable.

Including broadband Internet access services in the federal contributions base will better align the set of services and users benefitting from universal service support with the set of services and users that generate the subsidies. Many commenting parties recognized the need to broaden the federal assessment base. NRIC agrees with NASUCA that:

the public interest requires the broadest lawful class of contributors to the USF: Those who benefit from a ubiquitous national network should contribute to the Fund, with as few exceptions as feasible. This leads to the conclusion that, if the USF is to support broadband, then broadband must support the USF.⁴

NASUCA also points out that broadening the base would reduce market distortions, and tend to “future proof” the federal universal service fund, insuring it against losses as customers shift to non-contributing services.⁵

Expanding the contribution base will also better ensure that the Commission can protect the long-term capacity of the federal universal service fund to provide sufficient explicit support to meet the goals of Section 254. Expanding the contribution base to

³ NASUCA Comments at 7-8, USTA Comments at 7-8, Google Comments at 2 and 8, Frontier Comments at 3, MetroPCS Comments at 8, AT&T Comments at 10, CenturyLink Comments at 11 and NTCA, OPASTCO, and WTA Comments at 2-8.

⁴ NASUCA Comments at 7.

⁵ *Id.* at 5.

include all forms of broadband will help ensure non-discriminatory assessment among providers.⁶ Google, for example, states that by extending the contribution obligation to include broadband (both wired and wireless), the universal service burden will be more equitably spread among diverse users of communications infrastructure, will reflect the FCC's policies that promote network modernization and will directly serve the goals delineated in the *FNPRM* and the mandates of Section 254 of the Act.⁷ All network technologies are treated the same under Google's recommendation, alleviating the possibility of discriminatory assessment.⁸

NASUCA strongly recommends that the Commission assess all forms of wired broadband (including cable, telephone, and power-line networks), satellite, fixed and mobile wireless broadband.⁹ NASUCA also argues that exempting any form of broadband Internet access from USF contributions would be anti-competitive. Likewise, Frontier urges the Commission to expand the base of contributors by including broadband Internet access services and by removing the false distinctions created by a focus on legacy service users while ensuring that contributions are equally assessed so as not to tilt the competitive communications market in favor of any particular technology or competitor.¹⁰

⁶ United States Telecom Association points out that the current system creates a competitive disparity in areas where rate-of-return ILECs contribute to USF based on their broadband access service revenue, but competing cable companies providing the very same voice and broadband services do not. *See* USTA Comments at 8.

⁷ Google Comments at 2.

⁸ *Id.* at 8.

⁹ NASUCA Comments at 8.

¹⁰ Frontier Comments at 3.

Some parties urge the Commission to expand the base beyond broadband Internet access services. MetroPCS, for example, believes that in order for the Commission to achieve its objective of increasing the fairness of the contribution system, the contributions base must include all service providers who benefit from universal connectivity, irrespective of whether the service is voice or data and regardless of the technology employed, whether located at the edge, in the middle, or at the on-ramp to the Internet.¹¹ Similarly, AT&T argues that the Commission should not limit contribution obligations to “facilities-based” providers.¹²

CenturyLink believes that the inclusion of broadband services in the contribution base is especially important because voice service is transitioning over time into primarily being delivered over broadband networks. Thus, as broadband evolves, it may become the primary or exclusive basis for assessment. Ideally, by including broadband Internet access in the contribution base from the outset, a reformed contribution system could respond to this shift naturally, rather than requiring new proceedings.¹³

More and more communications are shifting to packet formats, which even now can emulate switched landline and mobile voice services. As the comments of the United States Telecom Association indicate, the line between telecommunications or telecommunications services on one hand, and information services on the other, is becoming increasingly blurred.¹⁴ Trying to distinguish between assessable

¹¹ MetroPCS Comments at 8.

¹² AT&T Comments at 10.

¹³ CenturyLink Comments at 11.

¹⁴ USTA Comments at 7-8.

telecommunications revenues and non-assessable non-telecommunications revenues as done under the current system is nearly impossible during the transition to an all-IP environment where a wide array of converged services is offered by many competing providers over broadband platforms.¹⁵ Accordingly, contributions from packet-based services are now a haphazard mix, with the outcome often depending on who sells the services and how the services are packaged. Moreover, the Commission's needs for universal service support contributions are increasing as the Commission expands its goals to include broadband deployment. Yet, at the same time, the revenue base for contributions is apparently shrinking as switched services decline.

Finally, NRIC endorses the comments of the Public Service Commission of the District of Columbia (the "DC PSC"), which recommended that the Commission "exercise [its] permissive authority broadly, to ensure that a greater number of services help fund the federal universal service fund" or, in the alternative, more broadly define "provider of interstate telecommunications."¹⁶

II. The Commission Should Protect the Rights of the States to Include Broadband Internet Access in the Contributions Base for State Universal Service Funds.

NRIC's initial comments supported protection of the contributions base for state universal service funds, particularly with regard to broadband Internet access.¹⁷ The comments of both the Kansas Corporation Commission ("KCC"),¹⁸ and the DC PSC are

¹⁵ Id.

¹⁶ DC PSC Comments at 2; *see also*, NRIC Initial Comments at 8-9.

¹⁷ *See*, NRIC Initial Comments at 6-7, 13-17.

¹⁸ KCC Comments at 5-6 (FCC should clearly declare that State USFs may either continue their current assessment system (assessing intrastate revenues) or switch to a new system

consistent with NRIC's advocacy.¹⁹ NRIC also notes that the National Telecommunications Cooperative Association's comments support NRIC's request that the Commission should make clear, as the statute contemplates, that a partnership is essential between state and federal universal service programs.²⁰ NTCA concluded that:

Since federal USF support alone will be strained to deliver ubiquitous broadband, the Commission should be certain not to adopt any rules that would explicitly prohibit or prevent states from establishing a sufficiently broad contribution base to sustain state universal service funds.²¹

Based on NRIC's reading of the initial comments filed in response to the *FNPRM*, the states' revenue base is at great risk in an environment in which packet networks have become the dominant means of communications. NRIC wants to ensure that nothing impairs the ability of states that have implemented state USFs to impose surcharges on broadband revenues or broadband connections. Whatever decision the Commission makes regarding the federal universal service base, it should not impair the ability of state USFs to reach that same base or, alternatively, to continue operating state USFs as at present.

The Telecommunications Act of 1996 contemplated a universal service partnership between the Commission and the states. In the future, states will need to collect universal service funds from broadband facilities and services for the same reasons that the 1996 Congress allowed states to collect universal service support from

parallel to the new federal universal service fund assessment system. FCC should endeavor to continue to allow state USFs to assess all providers the FUSF may assess.

¹⁹ DC PSC Comments at 1 (FCC should consider carefully the effects of any reforms on states with their own universal service funds).

²⁰ NTCA Comments at 42.

²¹ *Id.* at 43.

voice services. Consistent with NRIC's advocacy in its initial Comments,²² as the Commission changes the basis for its own universal service programs, it should protect and strengthen the state-federal partnership by protecting the rights of the states to include broadband Internet access in the contributions base for state universal service funds.

III. Conclusion

NRIC respectfully requests that in connection with the Commission's consideration of reform and modernization regarding assessment and recovery of federal USF contributions, that the Commission should define the promotion of state universal service contribution and support mechanisms as an additional goal of contributions reform, that the Commission should include broadband Internet access in the contributions base for federal universal service programs and that the Commission should protect the rights of states to include broadband Internet access in the contributions base for state universal service funds.

²² See, NRIC Initial Comments at 4-7.

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Respectfully submitted,

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